

**CITY OF BRIDGEPORT
BUDGET & APPROPRIATIONS COMMITTEE
REGULAR MEETING
FEBRUARY 16, 2016**

ATTENDANCE: Scott Burns, Co-Chair; Denese Taylor-Moye, Co-Chair; Jose Casco;
M. Evette Brantley; Aidee Nieves; Anthony Paoletto

MISC: Kenneth Flatto, Finance Director; Nestor Nkwo, OPM Director;
John Marshall Lee, Citizen Budget Examiner; Jeanette Herron, Council
Member (133rd District); Thomas McCarthy, City Council President;
Kathryn Bukovsky, City Council Member (130th District); Jack Banta,
City Council Member (131st District); Milta Feliciano, City Council
Member (137th District)

CALL TO ORDER

Co-Chair Burns called the meeting to order at 5:50 PM. A quorum was present.

**APPROVAL OF COMMITTEE MINUTES:
JANUARY 11, 2016 (REGULAR MEETING)**

Co-Chair Burns announced that the meeting minutes would be postponed in the interest of clarifying a few points.

**** COUNCIL MEMBER TAYLOR-MOYE MOVED TO TABLE THE
COMMITTEE MINUTES OF THE JANUARY 11, 2015 REGULAR MEETING.**

**** COUNCIL MEMBER BRANTLEY SECONDED THE MOTION.**

**** MOTION PASSED UNANIMOUSLY.**

GENERAL DISCUSSION RE: REVIEW OF THE MONTHLY FINANCIAL REPORT

Mr. Flatto came forward to present the financial report. He stated that the City just finished the financial report and audit for the fiscal year that ended June 30, 2015, and that while the document has not yet been filed with the City Clerk, they had copies present to distribute to the committee members. Mr. Flatto stated that he didn't know whether all members of the Council typically received said report, but that this is the primary committee who needs to see the annual audit. He stated that he would be happy to go over the audit during this meeting, or the committee could receive a review of the audit at the next meeting. He further stated that a representative from the auditing firm (Blum Shapiro) would be happy to attend at the

committee's pleasure, as they may be able to offer a more in-depth understanding of how the audit was conducted, whereas Mr. Flatto would be able to report primarily on the results.

Mr. Flatto stated, in summary, that the last fiscal year ended with a very slight surplus of \$300,000, of which about \$70,000 was budgetary surplus. He stated that there is a slight surplus in the black, and that the audit is being presented to ratings agencies for the bond refinancing. He stated that they filed an extension through February 16th, as things were being transferred over and the audit report's finished product was not finished and presentable. Mr. Flatto stated that the committee is the first to see the report, and in the big picture, there are no sizable surprises in the report. He stated that there are some significant parts that should be explained next month which do not affect budgetary surplus, but do affect long term obligations. Mr. Flatto stated that per the new nationally promulgated accounting standard, all municipalities have to declare their government wide financial statements, which includes disclosing long term pension liabilities, assets, and land. He stated that this is required to be on a ballot sheet, and that it makes the overall financial position (from a government-wide perspective) not as good. He further stated that, for people who look at the budgetary line, there will be no surprises, while a civilian read on the document will note a slight change.

Co-Chair Taylor-Moye stated that they would like to have a representative from Blum Shapiro attend the next meeting, as this would provide the committee with optimal understanding of the auditing documents. She noted for the record that the committee anticipates an auditor and Mr. Flatto to be present at the next monthly meeting, and that this should be reflected in the agenda for the next meeting.

Co-Chair Taylor-Moye asked if the financial report needed to be given to all Council Members at once, or if the committee could receive it, with the other Council Members receiving it at a later date. Mr. Flatto stated, as a matter of past practice, he wasn't certain if everyone else had to get it. He further stated that the only legal requirement is that it has to be filed with the State of Connecticut, and in addition, they provide a copy for the City Clerk.

Council Member Brantley asked why Mr. Lee appeared to have a copy. Co-Chair Burns stated that everyone present had received a copy, and that it was acceptable for him to have one, as the document is available to the public. Through the Co-Chair, Council Member Herron asked Mr. Flatto what the City's rating was. Mr. Flatto stated that there are two different ratings depending on the agencies. He stated that the ratings are remaining the same at a Moody's A-2 (a low A-level) and an SP A (a short term double-A level). Mr. Flatto stated that the rating isn't where he'd like to see it (at a Moody's double or triple-A), but that it certainly isn't a junk level rating like a B or C-level. He further stated that these ratings were given verbally, and that there should be hard copy confirmation of them once the reports come in. Council Member Herron asked if they could receive a copy of those documents, and Mr. Flatto answered in the affirmative.

Co-Chair Burns asked about the outlook of the ratings. Mr. Flatto stated that one rating may move from stable to negative, as they are concerned about the budget outlook and that is weighing on it, but that this is not certain.

Mr. Flatto stated that they received the monthly report on December this month, and that there weren't many changes from November, due to the fact that the information from the prior month was gathered and compiled by mid-December (such as the update with the deficit taken into account). He stated that the January report will contain some positive modifications, and that things look as if they are improving in the budgetary outlook. He further stated that, while they do not have the answer for the whole of the problem, they feel they are addressing half of it.

Mr. Flatto stated that the most significant improvement comes from the debt refinancing, which will save the City about \$3 million dollars this year. He stated that another area of improvement is on the debt service side of the budget, while yet another is in overtime expenses. Mr. Flatto stated that, last month, they identified over half of the budgetary issue was coming from overtime, and they then projected this out based on the controls put in place by Mr. Nkwo, Mayor Ganim and CAO. They have since found that the weekly overtime rate of spending has started coming in lower than the numbers projected in the December report. Mr. Flatto stated that the spending is slowing, and thus shrinking that part of the deficit by \$2.5 million, reducing the \$10 million projection. He stated that would rate \$500,000 less per month.

Mr. Flatto stated that another area of improvement is in discretionary spending, AKA everything non-personnel related. He stated that they gave every department a target amount to save and work within, and that so far, many of the departments are on track. If this continues, they believe there will be another \$2.5 million in savings.

Council Member Brantley asked Mr. Nkwo to elaborate in the positive difference in overtime spending. Mr. Nkwo stated that, while he could not speak to what happened during the previous administration, once they came on they realized there was a significant problem. He stated that they spoke with the police department, and while they cannot change the fact that they have exceeded the budget (and did so by December), they can attempt to slow the rate of spending. Mr. Nkwo stated that they gave the police department a target savings amount of \$2 million, and plotted a weekly chart with the amount of money they are to spend on overtime per week. He stated that if they come out under this weekly amount, they have to put it in the next week, and that every week the Chiefs forward the report to the CAO, who monitor and manage the spending. He stated that they are following a similar process with EOC and public facilities, and that they were doing well until the unexpected snowfall.

Council Member Brantley asked if the overtime budget covers solely direct overtime by the City or private contractors as well. Mr. Nkwo stated that no individual is allowed to be given outside overtime unless the amount is prepaid by a private contractor, through the city via a performance

bond, depending on the amount. In the event they do not pay, Mr. Nkwo pulls the bonds, then calls the City Attorney's Office, followed by the bank. He stated that the only entities they don't require a formal bond on are utility companies. Council Member Brantley asked if the City is in good standing regarding the collection of outside overtime, and Mr. Nkwo answered in the affirmative, with the exception of an instance where someone did not go through the overtime office, which is a separate issue. Mr. Nkwo stated, as far as the operating freeze, that once he came on board, every acquisition over \$1,000 must be approved by him, and every acquisition over \$2,000 must go to the CAO. He stated that their target savings is \$2 million in regards to overtime, but that he cannot guarantee they'll end up in the black this year. Council Member Brantley asked what they would need to do so the overtime amount would not be included in their pensions. Mr. Nkwo stated that, when they transfer from the City to State pension plans to include overtime, they cannot remedy that particular issue.

Through the Chair, Council Member Banta asked if there was the possibility they could make themselves open to lawsuits by reducing the amounts, thus making it more expensive. Mr. Flatto stated, were it a bargaining relating item it may be possible, but at present, he is not aware of any. He further stated that, currently, everything is up to each department to manage the spending, and that they aren't cutting anything that would present a safety issue.

Co-Chair Burns asked for elaboration on the progress of the City's re-bonding.

Mr. Flatto distributed summary documents to those present.

**** COUNCIL MEMBER BRANTLEY MOVED TO ENTER AN ITEM INTO THE RECORD- #1-216-16 COMPREHENSIVE FINANCIAL REPORT BUDGET ITEM.**

**** COUNCIL MEMBER PAOLETTO SECONDED THE MOTION.**

**** MOTION PASSED UNANIMOUSLY.**

**** COUNCIL MEMBER BRANTLEY MOVED TO ENTER AN ITEM INTO THE RECORD- #2-216-16 STRATEGIC FISCAL OBJECTIVES RE: BOND REFINANCE, BUDGET.**

**** COUNCIL MEMBER PAOLETTO SECONDED THE MOTION.**

**** MOTION PASSED UNANIMOUSLY.**

**** COUNCIL MEMBER BRANTLEY MOVED TO ENTER AN ITEM INTO THE RECORD- #3-216-16 DEPARTMENT OF FINANCE REPORT RE: HIGH SCHOOL BONDING BUDGET ITEM.**

**** COUNCIL MEMBER PAOLETTO SECONDED THE MOTION.**

**** MOTION PASSED UNANIMOUSLY.**

Mr. Flatto stated that the Financial Objectives Summary was put together for rating agencies and the investor community, and gave projected overall savings. He stated that they will not know
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the actual number until the bonds are sold next Tuesday, but based on the interest ratings this week, they are showing \$6 million over the life of the bonds, with over \$3 million saved over this current fiscal year. He stated that they are looking at the outlook of debt service over the next 15 to 20 years, and that the report contrasts the existing debt service vs. the new debt structure. Mr. Flatto stated that they will see some savings this year, and in years 6-10, there will be a slight increase in overall financing costs. He stated that the overall total of those years will save almost \$7 million in interest, and that it is likely they will save almost 9% of the overall bond refunding. He stated that in a good year, they try to save 2-3% in bond refinancing, and that this saving will be more. Mr. Flatto stated that the interest rate drop (specifically in municipal bond ratings) is the lowest it has been in 2 years. He stated that is going very well, and that they are already saving more than anticipated.

Mr. Flatto stated that, simultaneous to the refinancing, they have made a change in the bonding they are issuing for new bonds, which is beyond what was reported to the City Council. This stemmed from news at the School Bonding meeting, as more funding is needed for the Central and Harding High projects than initially anticipated. He stated that it doesn't require Council approval at this juncture, as the Council approved some of the bonding for the high school projects 5 years ago. Mr. Flatto stated that the backups are in the memo, and up until last year, for the past few years, the City only bonded \$1 million for each project. Central has been going for 2 years and has spent over \$30 million of the allotted \$80 million. The City has to pay 20% of the bills towards that project, and thus the \$1 million is not sufficient, meaning that if they did not increase the amount of money towards the bond issue, they risk the State suspending funding and the projects stopping in their tracks. Mr. Flatto stated that the bond council fortunately approved some monies for authorization to bond, and that they used the resolution from 5 years ago, for approval, then put in enough money so as they go, the project does not have to stop. He stated that a short issue was added of amounts totaling \$7 million and \$9 million, respectively. Mr. Flatto clarified that, as they had prior approval, they didn't have to create a new capital plan or bond issue. He further clarified that they didn't use all of the money approved for bonding, only the amount O&G stated they needed through next autumn. Mr. Flatto stated that, on a less positive note, that the projects have grown in cost significantly since 2011/2012 when the bonding was approved. Central High is now projected at over \$85 million and Harding is projected at over \$100 million. He stated that they wrote to OPM to request a new amount in the Capital Improvement Plan for money, as the projects are currently underfunded.

Mr. Nkwo summarized that the Superintendent recommended that Central and Harding exceed the previously noted capacity in 2014. This will be put in the capital budget, and will be \$18 million due to the expanded costs.

ADJOURNMENT

- ** COUNCIL MEMBER PAOLETTO MOVED TO ADJOURN.**
- ** COUNCIL MEMBER BRANTLEY SECONDED THE MOTION.**
- ** MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 6:34 PM.

Respectfully submitted,

Catherine Ramos
Telesco Secretarial Services